THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI GINGEE N. RAMACHANDRAN): (a) Yes, Sir.

(b) to (d) In the Conference of Chief Ministers held in June, 2000 and July, 2001, the States had suggested that they should be allowed to levy tax on services to widen their tax base. A committee of Finance Ministry Officials and some State Finance Secretaries was constituted to look into this suggestion. The Committee's report which was submitted in December 2001, is under examination.

Trade Defict

648. SHRI K. NATWAR SINGH: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether according to Centre for Monitoring Indian Economy, India's trade deficit is likely to touch $15.4 billion during 2002-03;

(b) if so, whether in its latest review of the Indian economy, CMIE has pointed out that on payments basis the trade deficit would be higher because defence spending was likely to increase during the year;

(c) if so, what are the other conclusions made by the CMIE; and

(d) the steps suggested in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANT GANGARAM GEETE): (a) and (b) Yes, Sir. The Centre for Monitoring Indian Economy (CMIE), in its latest monthly rview of Indian economy (June 2002) has projected a likely rise in trade deficit to $15.4 billion during 2002-03 as against the $12.5 billion (estimated) in 2001-02. Higher defence spending has been suggested as one of the reasons for such a likely rise in trade deficit.

(c) The review concludes that political and military posturings by India and Pakistan have vitiated the economic environment in the sub-continent thus affecting the investment climate in the region. Such political billegerence may affect adversely trade and investment in India, thus impacting upon broad economic parameters like the Gross Domestic Product, Current Account Deficit and Gross Fiscal Deficit.

(d) There is no reason to have undue concern about India's balance of payments situation which remains comfortable. India had a surplus of US $1.35 billion amounting to 0.3% of Gross Domestic product in 2001-02. As per the latest information, merchandise imports in terms of US Dollars declined by 3.7% in April-May 2002 over April-May 2001 and our trade deficit declined significantly from US $2024 million in April-May 2001 to US $995 million in April-May 2002. Our foreign exchange assets (excluding gold and SDRs) stood at $55.5 billion as on the 12th July, 2002 and are sufficient to cover 11 months of imports in 2002-03. However, both the Government and the Reserve Bank of India monitor balance of payments on regular basis and take appropriate policies, as and when necessary to encourage exports and invisible receipts on the current account and capital flows, particularly non debt creating financial flows, on capital account.

Legislation on NPAs of Banks

649. SHRI MOOLCHAND MEENA: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether Government are considering a legislation to enable banks and financial institutions to clean-up their balance sheets of Non-Performing Assets or bad loans;

(b) if so, by when this legislation is likely to be introduced;

(c) what are the main features of this legislation; and

(d) to what extent it will held banks to take action on the defaulting companies?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANT GANGARAM GEETE): (a) and (b) President has promulgated an ordinance on 21st June, 2002 on the subject mentioned in the question. Copy of the Ordinance has been laid before the House. Replacement Bill is being introduced in the in current session of Lok Sabha.

(c) and (d) The Ordinance enables banks and financial institutions to realise long term assets, manage problem of liquidity, asset liability mismatch and improve recovery by exercising powers to enforce securities easily. This will enable banks to improve their recovery of dues and reduce their Non-Performing Assets.